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Message Text

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43
ORIGIN SCI-06

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-03 INR-11 IO-14 NEA-14 NSAE-00

RSC-01 OPIC-12 SP-03 TRSE-00 CIEP-03 LAB-06 SIL-01

SWF-02 OMB-01 SS-20 NSC-07 L-03 H-03 CEQ-02 EPA-04

DOTE-00 HUD-02 HEW-08 NSF-04 STR-08 INT-08 AGR-20

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DRAFTED BY SCI/EN:HBENGELSDORF:EF
APPROVED BY SCI/EN:WTRUEHEART
COMMERCE:FABBUHL
EPA:RPORTER
CEQ:ELUBENSKY
L/OES:JCROOK
EUR/RPE:DLAMB
EA/J:CDUNKERLEY
EB/OTSTA:RWINSTANLEY
HUD:CRASSIAS (INFO)
---------- 022102
P 221440Z AUG 74
FM SECSTATE WASHDC
TO USMISSION OECD PARIS PRIORITY
AMEMBASSY TOKYO PRIORITY
AMEMBASSY LONDON PRIORITY
AMEMBASSY BONN PRIORITY
AMEMBASSY THE HAGUE PRIORITY
AMEMBASSY OTTAWA PRIORITY
AMEMBASSY PARIS PRIORITY
AMEMBASSY CANBERRA PRIORITY
AMEMBASSY OSLO PRIORITY
AMEMBASSY STOCKHOLM PRIORITY

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E.O. 11652: NA

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TAGS: SENV, OECD
SUBJECT: PROPOSAL FOR ACCOMMODATING JAPAN'S CONCERNS CONCERNING INTERPRETATION OF OECD POLLUTER PAYS PRINCIPLE

REF: PARIS 16552

BEGIN SUMMARY. DURING JULY 1-3 MEETING OF THE OECD ENVIRONMENT COMMITTEE JAPANESE PRESSED HARD FOR AMENDMENTS TO THE DRAFT ACTION-PROPOSAL CONCERNING THE PPP. THESE WERE DESIGNED TO BROADEN EXCEPTIONS TO THE PPP TO AUTHORIZE AID PAYMENTS TO NEW PLANTS IN "HIGHLY EXCEPTIONAL CIRCUMSTANCES". JAPANESE ARGUED THAT THEIR ENVIRONMENTAL STANDARDS WERE AMONG MOST RIGOROUS IN THE WORLD, THAT SOME SUBSIDIZATION OF NEW PLANTS WAS ESSENTIAL TO ACHIEVE JAPAN'S ENVIRONMENTAL GOALS AND THAT THE AMENDMENTS THEY SOUGHT THUS WOULD NOT SERVE TO INTRODUCE ANY TRADE DISTORTIONS. WHILE MOST DELS WERE SYMPATHETIC TO GOJ POSITION, MOST WERE NOT PREPARED AT THAT TIME TO ACCEPT JAPANESE AMENDMENTS. ACTION PROPOSAL WAS DEFERRED FOR FURTHER STUDY AND CONSIDERATION AT FORTHCOMING SEPTEMBER 11-12 COMMITTEE MEETING, TAKING INTO ACCOUNT SOME ADDI-TIONAL DATA THAT THE JAPANESE WERE REQUESTED TO SUPPLY. USG BELIEVES IT IS IMPORTANT TO PRESERVE CONTINUED WIDE ADHERENCE TO THE PPP. AT SAME TIME, AND SUBJECT TO RE-VIEWING ANY SUCH ADDITIONAL DATA AS JAPAN MAY PROVIDE, WE FEEL JAPAN HAS A REASONABLE POINT THAT MERITS SOME

ACCOMMODATION. WE WISH, THRU THIS MESSAGE, TO OFFER SOME SPECIFIC PROPOSALS TO THE OTHER OECD MEMBER STATES IN THE HOPE THAT THESE WILL ENABLE ENVIRONMENT COMMITTEE TO ACHIEVE PROMPT CONSENSUS ON MATTER AT THE SEPTEMBER 11-12 MEETING. REACTIONS OF THE ADDRESSEES TO THESE SUGGES-TIONS ARE REQUESTED SOONEST. WE ALSO WOULD URGE THAT SECRETARIAT BE REQUESTED TO CONVENE A MEETING OF PERM DELS IN PARIS NO LATER THAN FIRST WEEK OF SEPTEMBER TO GO OVER THESE AND SUCH IDEAS AS OTHERS MAY HAVE IN THE INTEREST OF FACILITATING AGREEMENT AT SEPTEMBER 11-12 MEETING. DEPENDING ON SCHEDULE U.S. EXPERT MAY BE AVAILA-BLE TO ATTEND. END SUMMARY.

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ADDRESSEES ARE REQUESTED TO MAKE THE FOLLOWING POINTS, AS APPROPRIATE, TO ENVIRONMENT SECRETARIAT, ALL PERMANENT OECD DELS, AND HOST GOVERNMENTS.

A. DURING JULY 1-3 MEETING A DRAFTING GROUP CAME QUITE CLOSE TO AGREEMENT ON TEXT OF AN ACTION PROPOSAL FOR THE NOVEMBER OECD MINISTERIAL MEETING THAT WOULD SAFEGUARD THE PPP YET LEAVE THE DOOR OPEN FOR LIMITED EXCEPTIONS

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WARRANTED BY EXTRAORDINARY, TRANSITIONAL CIRCUMSTANCES. ISSUE, HOWEVER, WAS DEFERRED WHEN COMMITTEE MET IN PLENARY.

B. USG BELIEVES THAT WITH THE CONCERTED COOPERATION OF ALL INTERESTED OECD DELS IT SHOULD BE POSSIBLE TO SATISFACTORILY RESOLVE MATTER AT SEPTEMBER COMMITTEE MEETING. WE FEEL SUCH RESOLUTION IS HIGHLY DESIRABLE SINCE WE WOULD WISH TO SEE THE NOVEMBER MINISTERIAL MEETING STRONGLY REAFFIRM PPP, SUBJECT TO A REASONABLE INTERPRETATION. WE WOULD BE CONCERNED IF THIS ISSUE WERE LEFT UNRESOLVED TO DISSATISFACTION OF SOME KEY OECD STATES AND ARE CONVINCED THAT A FORMULATION ALONG THE LINES OF THE DRAFT CONSIDERED JULY 1-3 (COMMITTEE ROOM DOCUMENT NO. 14) IS PREFERABLE TO EARLIER FORMULATION DATED JANUARY 21, 1974, APPROVED BY THE ENVIRONMENT COMMITTEE (ENV(73)32)(FINAL). WE ALSO SENSE THAT MOST DELS UNDERSTAND JAPAN'S SPECIAL SITUATION, AND RECOGNIZE THAT COMPARABLE CASES MAY ARISE IN FUTURE. WE BELIEVE THIS PROSPECT COULD NOW BE RECOGNIZED BUT IN CLOSELY DELIMITED TERMS THAT WILL SAFEGUARD OBJECTIVES OF THE PPP.

C. THE MAIN ISSUE OUTSTANDING IS WHETHER EXCEPTIONS TO THE PPP SHOULD BE ALLOWED IN THE CASE OF NEW PLANTS FACING EXCEPTIONAL FINANCIAL HARDSHIPS IN THE IMPLEMENTATION OF ESPECIALLY STRINGENT POLLUTION-CONTROL REGULATIONS. USG HAS CONCLUDED THAT SUCH AN EXCEPTION COULD BE

PERMITTED WITHOUT ADVERSE INTERNATIONAL EFFECTS PROVIDED IT IS CLEARLY AGREED BY ALL THE OECD MEMBER COUNTRIES THAT FINANCIAL AIDS WOULD BE SUBJECT TO THE FOLLOWING FOUR CONDITIONS: THEY (A) WOULD BE TRANSITIONAL WITH THEIR DURATION LAID DOWN IN ADVANCE, (B) WOULD NOT LEAD

TO SIGNIFICANT DISTORTIONS IN INTERNATIONAL TRADE OR INVESTMENT PATTERNS, (C) WOULD BE SELECTIVE ON THE BASIS OF INDIVIDUAL PLANT OR CASE-BY-CASE NEED, AND (D) OTHER MEMBER COUNTRIES WOULD BE NOTIFIED IN ADVANCE OF PROGRAMS TO PROVIDE FINANCIAL ASSISTANCE TO PERMIT CONSULTATIONS, AS PROVIDED IN THE GUIDING PRINCIPLES.

D. THE U.S. BELIEVES THAT CONDITIONS (A) AND (B) ABOVE, WERE ADEQUATELY DEALT WITH IN PRODUCT OF JULY DRAFTING GROUP (DOCUMENT 14). HOWEVER, AS TO (C) AND (D), WE BELIEVE THE LANGUAGE DEALING WITH SELECTIVITY OF APPLICATION SHOULD BE TIGHTENED, AND THAT PROVISION SHOULD BE MADE FOR ADVANCE NOTIFICATION. ACCORDINGLY, THE U.S. SUGGESTS THAT THE LANGUAGE IN SECTION II, 2(A) OF COMMITTEE DRAFT, BE MODIFIED TO READ:

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"AID PAYMENTS FOR SUCH PURPOSES, HOWEVER, WILL ONLY CONSTITUTE A VALID EXCEPTION TO THE POLLUTER PAYS PRINCIPLE IF THEY (1) ARE SELECTIVELY APPLIED ON THE BASIS OF INDIVIDUAL PLANT OR CASE-BY-CASE NEED, (2) FORM PART OF TRANSITIONAL ARRANGEMENTS WHOSE DURATION HAS BEEN LAID DOWN IN ADVANCE, (3) ARE THE SUBJECT OF ADVANCE NOTIFICATION TO THE MEMBER COUNTRIES, AND (4) DO NOT LEAD TO SIGNIFICANT DISTORTIONS IN INTERNATIONAL TRADE AND INVESTMENT. SUCH AID SHOULD ONLY...."

E. WITH THESE CHANGES THE USG WOULD FIND THE REMAINDER OF THE TEXT, PROPOSED BY THE ENVIRONMENT COMMITTEE DRAFTING GROUP LAST JULY, GENERALLY ACCEPTABLE WITH SOME MINOR PERFECTING AMENDMENTS WHICH WE ALSO ARE PREPARED TO CIRCULATE TO ALL DELS. SEPTEL FORWARDS COMPLETE OPERATIVE TEXT WE WOULD SUPPORT.

F. WHILE WE VISUALIZE, AS NOTED, THAT EXCEPTIONS WOULD BE ADOPTED ON A SELECTIVE BASIS, WE OBVIOUSLY DO NOT CONTEMPLATE THAT THE NOTIFICATION PROCESS WOULD REQUIRE EACH AND EVERY PROJECT BENEFITING FROM A SUBSIDY TO BE BROUGHT BEFORE THE COMMITTEE. RATHER THE MEMBER STATES WOULD BE EXPECTED TO INFORM OTHERS IN ADVANCE OF ANY GENERAL PROGRAMS AND POLICIES CONTEMPLATING FINANCIAL AID. MOREOVER, WE WOULD EXPECT THE SUBCOMMITTEE OF UNCLASSIFIED

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ECONOMIC EXPERTS TO KEEP ABREAST OF NATIONAL POLICIES AS PART OF ITS STUDY OF THE IMPLEMENTATION OF THE GUIDING PRINCIPLES.

G. USOECD AND OTHER ADDRESSEES ARE REQUESTED TO CIRCULATE THESE SUGGESTIONS TO OTHER DELS AND SELECTED HOST GOVERNMENTS, RESPECTIVELY, WITH REQUEST THEY BE GIVEN IMMEDIATE AND SYMPATHETIC CONSIDERATION. WE WOULD URGE THAT A MEETING OF PERMANENT OECD DELS BE ORGANIZED ASAP IN ORDER HELP ASSURE A FULL EXCHANGE OF VIEWS ON THIS ISSUE AND ENHANCE PROSPECT THAT ENVIRONMENT COMMITTEE WILL ACHIEVE AGREEMENT. WE RECOGNIZE THAT THE JAPANESE ARE EXPECTED TO FURNISH MORE FACTUAL INFORMATION CONCERNING THEIR PARTICULAR PRACTICES AND WILL WISH TO TAKE SUCH ADDITIONAL DATA AS MAY BE RECEIVED INTO ACCOUNT IN THE COURSE OF OUR FURTHER CONSULTATIONS.

H. FOR ALL ADDRESSEES EXCEPT TOKYO: IN ADDITION TO MAKING FOREGOING POINTS, HOSTS SHOULD BE INFORMED THAT WE BELIEVE IT DESIRABLE KEEP JAPAN CONSTRUCTIVELY ASSOCIATED AND BOUND BY A REASONABLE INTERPRETATION OF THE PPP. AS NOTED, WE ALSO BELIEVE TEXT WE ARE SUGGESTING

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IS A MORE PRECISE AND EFFECTIVE SAFEGUARD OF THE PPP IN
SEVERAL RESPECTS THAN SOME OF THE EARLIER FORMULATIONS
THAT HAVE BEEN CONSIDERED. KISSINGER

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